

# SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Vargas Analyst: Darrine Distefano Bill Number: AB 2875

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: 08-12-2002

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Local Agency Military Base Recovery Areas/Specifies The 8-Year Designation Period

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED June 12, 2002.

☒ STILL APPLIES.

☒ OTHER - See comments below.

## SUMMARY

This bill would change the method of determining the designation period for all local agency military base recovery areas (LAMBRAs).

## SUMMARY OF AMENDMENT

The August 12th amendments make the following changes:

- ?? Delete the provisions that would have allowed all LAMBRAs to be designated for an additional five years.
- ?? Add provisions that would change the eight-year designation period for LAMBRAs to commence with the later of either:
  - ?? The first year when the former base property is transferred to the governing body, or
  - ?? The year when the first business is located in the eligible area.
- ?? Limits the designation to no earlier than the year that the California Technology, Trade, and Commerce Agency (TTCA) approves the governing body's application for designation.

The amendments raise several implementation considerations that are addressed below. A revised revenue estimate is also provided below. The remainder of the department's analysis dated June 12, 2002, still applies.

## POSITION

Pending.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

8/27/02

## IMPLEMENTATION CONSIDERATIONS

This bill uses the term "located." It is unclear if this would mean a business that already exists within the LAMBRA when it was designated or is a new business that moves into the LAMBRA after the designation. The author may wish to clarify this term to avoid confusion.

The current designation period begins the date the LAMBRA was designated, not the year it was designated. The designation date clearly provides a beginning and ending date for the designation period. Reference to "year" within the amendments may be confusing to taxpayers for the purpose of knowing whether the business is operating in a LAMBRA and is eligible to claim the tax incentives available.

It is unclear if this bill would apply to existing LAMBRA's or to new designations. If this bill applies to an existing LAMBRA, a taxpayer may be required to recapture any incentives claimed where the property transferred to the governing body occurred later than the taxpayer locating their business within the LAMBRA. Instead of changing the commencement of the designation period, the author may wish to change the bill to alter the designation period expiration date by reference to the date the former base property is transferred from the federal government to the local governing body. This will ensure that taxpayers that have already claimed tax incentives will not be penalized.

For example: An area is designated as a LAMBRA by TTCA on July 1, 2000. A taxpayer's business has been located in the designated area since January 1, 2001, but the property transfer to the governing body does not occur until January 1, 2002. Under this bill, the new designation date would be the later date of January 1, 2002. However, the taxpayer claimed tax incentives for the 2001 taxable year because of the original designation date. Under the provisions of this bill, the taxpayer may need to recapture claimed incentives since the taxpayer was not technically in a designated LAMBRA at the time.

If a taxpayer would not be required to recapture any earlier claimed tax incentives, the taxpayer would receive the benefit of doing business in a LAMBRA for a period greater than eight years.

## TECHNICAL CONSIDERATIONS

This bill states that the "former base property is transferred to the governing body." It is unclear whom the property is transferred from. For clarity, on page 2, line 25, after "transferred," the author may wish to add, "from the Departments of the Army, Navy, Air Force, or Defense, other defense activities, or federal agencies."

Depending on the above interpretation of the term "located," on page 2, line 26, the author may wish to change the term to "locates" or "is located."

## **ECONOMIC IMPACT**

This bill would not impact the state's income tax revenue.

## **LEGISLATIVE STAFF CONTACT**

Darrine Distefano  
Franchise Tax Board  
845-6458  
[Darrine.Distefano@ftb.ca.gov](mailto:Darrine.Distefano@ftb.ca.gov)

Brian Putler  
Franchise Tax Board  
845-6333  
[Brian.Putler@ftb.ca.gov](mailto:Brian.Putler@ftb.ca.gov)